



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	HB0010	Title:	Long range information technology funding bill
Primary Sponsor:	Wiseman, Brady	Status:	As Amended

- | | | |
|--|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input checked="" type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
General Fund	\$7,933,089	\$3,433,089	\$0	\$0
State Special Revenue	\$9,008,062	\$2,027,505	\$540,000	\$1,575,566
Federal Special Revenue	\$19,184,448	\$27,407,351	\$15,358,201	\$0
LRIT	\$2,916,518	\$3,595,229	\$1,706,467	\$0
Bond Proceeds	\$0	\$0	\$6,385,370	\$6,885,370
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Federal Special Revenue	\$19,184,448	\$27,407,351	\$15,358,201	\$0
LRIT	\$3,433,089	\$3,433,089	\$0	\$0
Bonds Issued	\$0	\$0	\$15,000,000	\$0
Net Impact-General Fund Balance:	<u>(\$7,933,089)</u>	<u>(\$3,433,089)</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: Appropriation and bonding authority for Information Technology capital projects for the biennium ending June 30, 2011.

FISCAL ANALYSIS

Assumptions:

1. Long Range Information Technology fund (LRIT) is in the capital projects fund type.

Department of Labor and Industry

2. The 2003 Legislature transferred the UI tax function to the department from the department of revenue, instructing the department to resurrect a 1990's mainframe system that had been mothballed for several years as a temporary solution.
3. The department contracted with a private vendor, AssureIT, to conduct a feasibility study during CY 2008 to determine the type and scope of system modernization for the unemployment insurance tax system.
4. AssureIT recommended that the department replace the current mainframe system with a framework solution.
5. Based upon feasibility study results, the department assumes it will require 12 months to define system requirements, develop and issue an request for proposal (RFP), and select a vendor to begin system development. The department assumes it will begin these steps in July 2009, and complete them in June 2010 (SFY 10)
6. The department assumes it will take two to three years for system development and implementation following selection of a vendor and awarding a contract. The department assumes development of the system will begin July 1, 2010 (FY 2011), and that it will complete data conversion to the new system in 2012 or 2013.
7. The department assumes it will require six Band 6 modified FTE positions to work with the vendor on development, testing, and implementation of the new system. The department estimates personal services/benefits costs per FTE at \$56,395, for a total annual cost of \$338,370. The department estimates the annual operational costs associated with six modified FTE to be \$12,959, for a total annual cost of \$77,754.
8. Based upon the feasibility study results, the department assumes the cost to build a framework system is approximately \$18,279,133.
9. HB 790, passed during the 2007 session, increased a payroll assessment in order to fund UI administration as a result of flat federal funding. The department agreed to set aside the 0.01% collected assessment for use in funding a replacement unemployment insurance tax system.
10. The department assumes it will have collected approximately \$4,735,567 total cash on hand July 1, 2010 (Reed Act and 0.01% set aside funds), and will be able to cover personal services and vendor payments according to contract terms during FY 2011.
11. The board of examiners may issue and sell security revenue bonds not to exceed \$15 million for the unemployment insurance tax modernization project.
12. The department estimates annual bond payment at \$1.58 million.
13. Bond issuance costs of \$40,000 will be paid with state special revenue with a statutory appropriation.
14. Department of Labor and Industry will collect \$1.1 million annually through the 0.01% assessment set aside, which will be applied to the bond payments.
15. The Department of Labor and Industry assumes it will use its other state and federal revenues to pay the amount bond payment not covered by the 0.01% set aside.
16. Bonds are issued at a 2.64% payments will be \$1,575,566 amortized over 10 years, with final payment made in FY 2021.
17. Bonding project needs a 2/3 vote of each house of the legislature for passage.
18. If the bonding does not pass only the bonding part of the bill is severed.

Department of Public Health and Human Services (DPHHS)

19. Funds for DPHHS information technology projects are authorized to transfer funds within fund type and among projects.
20. The funding included in HB 10 for the Department of Public Health and Human Services (DPHHS) for the design, development, and implementation of an updated Medicaid Management Information System (MMIS) is \$70,000,000.

21. The new MMIS will process all claims for Medicaid, the State Mental Health Services Plan (MHSP), the Developmental disabilities Program, the Breast and Cervical Cancer Program as well as designated claims for Children's' Health Insurance Plan (CHIP).
22. The system architecture will be re-engineered to enhance maintainability and upgrade data access and storage capabilities.
23. An request for proposal (RFP) has been posted for a nationally competitive procurement that seeks a vendor to design, develop and implement a new MMIS. In order to obtain the most cost effective system, an emphasis will be placed on existing solutions and systems that are currently in development or in use in other states that meet Montana's needs.
24. The MMIS will be enhanced to include new business functionality identified during the Medicaid Information Technology Architecture (MITA) assessment as well as functionality required by Federal law.
25. The MMIS replacement costs will be funded at 10% general fund and 90% federal funds.
26. A vendor will be procured to assist the department with planning activities such as requirements definition. The solutions and systems used in other states will be evaluated during the departments planning.
27. The Administration will coordinate projects in order to manage cash within the LRIT fund. It is assumed that savings can be achieved in systems approved in the 2007 session to cover the additional state match required for the MMIS project.
28. At each Legislative Finance committee meeting, the department shall provide an update on its activities and progress toward achieving elements of the work plan.

Department of Administration

29. Funding for the Interoperability Montana (IM) is for \$1 million of state matching funds for equipment.
30. Recommendations for acquisition of technology and equipment should be reported to the information technology board.
31. Disaster and Emergency Services Homeland Security Grants of \$15 million would be received by local government for IM as federal matching revenue. These funds do not go through state accounting.
32. The Enterprise Services Center (ESSC) equipment is estimated at \$2,789,000 and operating expense of \$711,000.

Secretary of State

33. \$1.5 million would be used to fund the initial implementation of the Montana Secretary of State's Systems Integration Management System (SIMS), beginning the full replacement the office's outdated and ailing 1978 mainframe-based system.
34. SIMS will serve Montana's businesses, lending agencies, and agribusiness industries by increasing the speed and ease at which all businesses, banks, grain elevators, and stockyards can file and verify required documentation warehoused at the Secretary of State's office.
35. The contractor for SIMS was selected though a competitive request for proposal (RFP) process during former Secretary of State's Brad Johnson's administration in 2008.

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<u>Fiscal Impact:</u>				
Department Labor and Industry				
FTE (modified)	3.00	6.00	6.00	6.00
<u>Expenditures:</u>				
Personal Services	\$169,185	\$338,370	\$338,370	\$338,370
Operating Expenses	\$5,288,877	\$4,689,135	\$6,587,000	\$6,547,000
Equipment	\$3,550,000	\$0	\$0	\$0
Bond Payments	\$0	\$0	\$0	\$1,575,566
TOTAL Expenditures	\$9,008,062	\$5,027,505	\$6,925,370	\$8,460,936
<u>Funding of Expenditures:</u>				
State Special Revenue (02)	\$9,008,062	\$2,027,505	\$540,000	\$1,575,566
Federal Special Revenue (03)	\$0	\$3,000,000	\$0	\$0
Bond Proceeds	\$0	\$0	\$6,385,370	\$6,885,370
TOTAL Funding of Exp.	\$9,008,062	\$5,027,505	\$6,925,370	\$8,460,936
<u>Revenues:</u>				
Federal Special Revenue (03)	\$0	\$3,000,000	\$0	\$0
Bond Proceeds	\$0	\$0	\$15,000,000	\$0
TOTAL Revenues	\$0	\$3,000,000	\$15,000,000	\$0
Department of Public Health and Human Services				
<u>Expenditures:</u>				
Personal Services	\$1,919,370	\$1,186,231	\$242,959	\$0
MMIS System	\$19,663,678	\$27,266,054	\$16,821,709	\$0
TOTAL Expenditures	\$21,583,048	\$28,452,285	\$17,064,668	\$0
<u>Funding of Expenditures:</u>				
State Special Revenue (02)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$19,416,530	\$25,607,057	\$15,358,201	\$0
LRIT (05)	\$2,166,518	\$2,845,229	\$1,706,467	\$0
TOTAL Funding of Exp.	\$21,583,048	\$28,452,285	\$17,064,668	\$0
<u>Revenues:</u>				
Federal Special Revenue (03)	\$19,416,530	\$25,607,057	\$15,358,201	\$0

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Department of Administration				
<u>Expenditures:</u>				
Operating Expenses	\$711,000	\$0	\$0	\$0
Interoperability MT	\$1,000,000	\$0	\$0	\$0
Equipment (ESSC)	\$2,789,000	\$0	\$0	\$0
Transfer to LRIT (05)	\$3,433,089	\$3,433,089		
TOTAL Expenditures	\$7,933,089	\$3,433,089	\$0	\$0
<u>Funding of Expenditures:</u>				
General Fund (01)	\$7,933,089	\$3,433,089	\$0	\$0
<u>Revenues:</u>				
LRIT (05)	\$3,433,089	\$3,433,089	\$0	\$0
Secretary of State				
<u>Expenditures:</u>				
Operating Expenses	\$750,000	\$750,000	\$0	\$0
TOTAL Expenditures	\$750,000	\$750,000	\$0	\$0
<u>Funding of Expenditures:</u>				
LRIT (05)	\$750,000	\$750,000	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$7,933,089)	(\$3,433,089)	\$0	\$0
State Special Revenue (02)	(\$9,008,062)	(\$2,027,505)	(\$540,000)	(\$1,575,566)
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
LRIT	\$516,571	(\$162,140)	(\$1,706,467)	\$0
Bonding	\$0	\$0	\$8,614,630	(\$6,885,370)

Technical Notes:

1. If HB 645 the American Recovery and Reinvestment Act, does not pass the SOS project will be void.
2. If HB 645 the American Recovery and Reinvestment Act does not pass there will be a transfer from general fund into the LRIT fund by the amount of \$6,866,198.
3. If HB 645 is passes and approved in its' current form the transfer of \$6,866,148 will be replaced by a transfer of \$5 million and will be consistent with the level of spending authorized in HB 10.

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date